

City of Detroit

CITY COUNCIL

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TO: Roger Short, Chief Financial Officer
Finance Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 30, 2007

RE: 2007-2008 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2007-2008 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

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Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pamela Scales, Budget Department Director
Ervin Stewart, Budget Manager
Kandia Milton, Mayor's Office

Finance Department (23)

FY 2007-2008 Budget Analysis by the Fiscal Analysis Division

Summary

The Finance Department is a General Fund agency. The recommended 2007-2008 budget appropriations total \$37.04 million. The department's net tax cost is \$27.28 million, which is \$275,904 higher than the current year's net tax cost.

The Mayor recommends a net increase of 18 positions.

2006-07 Surplus/(Deficit)

The Administration anticipates that Finance will end the year with a \$1.4 million net surplus, which is the same projection as last year at this time. The surplus attributed to departmental vacancies in the current year.

Overtime

The department has an overtime budget of \$514,840 in the current fiscal year. Through March 31, 2007, the department has spent \$1,078,384 in overtime, \$563,544 over the budgeted amount.

For 2007-2008 the recommended budget for overtime is \$503,816, an \$11,024 reduction.

Personnel and Turnover Savings

Following is information by appropriation comparing current FY 2006-2007 positions, March 31, 2007 filled positions and FY 2007-2008 recommended positions.

<u>Appropriation/Program</u>	<u>Budgeted Positions FY 2006-07</u>	<u>Filled Positions 3/31/2007</u>	<u>Mayor's Budget Positions FY 2007-08</u>	<u>Over/(Under) Actual to 06/07 Budget</u>	<u>Mayor's Recommended Turnover</u>
Finance Department (23)					
00058 Administration	5	3	4	(2)	\$ -
00060 Assessments Division	59	55	58	(4)	\$ -
00061 Purchasing Division	22	19	22	(3)	\$ 76,248
230070 Treasury	50	43	57	(7)	\$ -
230075 Debts and Disbursements	0	0	8	0	\$ -
00063 Treasury Division	50	43	65	(7)	\$ -
230020 Project Administration	2	4	3	2	\$ -
230030 Accounts Payable	11	10	12	(1)	\$ -
230060 Payroll Audit	17	26	20	9	\$ -
230090 Debt Management	5	4	0	(1)	\$ -
230100 Risk Management	16	16	16	0	\$ -
230130 General Accounting	15	4	15	(11)	\$ -
00245 Accounts Division - Admin.	66	64	66	(2)	\$ 24,580
00246 Accts.-Pension & Employee Ben.	40	33	41	(7)	\$ -

00247 Accts.-City Income Tax Oper.	51	48	56	(3)	\$ 8,519
00832 Departmental Accounting Oper.	35	40	34	5	\$ -
11859 Targeted Business Development	5	3	5	(2)	\$ 21,737
23XXXX Unmatched	0	5	0	5	\$ -
23XXXX Leave of Absence	<u>0</u>	<u>(2)</u>	<u>0</u>	<u>(2)</u>	<u>\$ -</u>
TOTAL	<u>383</u>	<u>311</u>	<u>351</u>	<u>(72)</u>	<u>\$ 131,084</u>

The Mayor recommends a net increase in positions of 18. Positions were added primarily to the Treasury and Income Tax Divisions to improve timeliness of tax refund processing and revenue collection.

Detail of Position Changes in Finance Department

Title	2006-07 Redbook	2007-08 Mayor's Recommended	Inc/(Dec)
00058 Administration			
230010 Administration			
Office Assistant II	1	0	(1)
00060 Assessment Division			
230120 Assessment			
Appraiser II	16	15	(1)
00061 Purchasing Division			
230080 Purchasing Division			
Principal Governmental Analyst	2	1	(1)
Purchases Agent III	7	6	(1)
Clerk	0	1	1
Purchasing Manager	0	1	1
00063 Treasury Division			
230070 Treasury			
Manager I - Finance	1	2	1
Principal Accountant	3	0	(3)
Senior Accountant	4	3	(1)
Executive Secretary I	1	0	(1)
Revenue Collector	6	11	5
Senior Clerk	6	5	(1)
Office Assistant II	1	2	1
Executive Secretary II	0	1	1
Clerk	0	5	5
230075 Debts and Disbursements			
Manager I - Finance	0	2	2
Investment Agent	0	1	1
Manager II - Finance	0	1	1
Principal Accountant	0	4	4
00245 Accounts Division - Administration			
230020 Project Administration			
Principal Accountant	1	2	1
230030 Accounts Payable			
Principal Accountant	0	1	1

230060 Payroll Audit

Business System Support Specialist	0	3	3
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230090 Debt Management

General Manager - Finance	1	0	(1)
Manager II - Finance	1	0	(1)
Manager I - Finance	1	0	(1)
Investment Agent	1	0	(1)
Principal Accountant	1	0	(1)

230130 General Accounting

Manger I - Finance	3	2	(1)
Senior Accountant	1	2	1

00246 Accounts - Pension & Employee Benefits**230040 Pension**

Principal Accountant - Pension	3	4	1
Senior Accountant - Pension	7	5	(2)
Senior Clerk - Pension	4	5	1
Office Assistant II - Pension	1	2	1

00247 Accounts - City Income Tax Operation**230110 Income Tax**

Senior Accountant	1	3	2
Clerk	5	8	3

00832 Departmental Accounting Operations**230050 Departmental Accounting Operations**

Manger I - Finance	4	5	1
Business System Support Specialist	3	0	(3)
Senior Accountant	3	7	4
Revenue Collector	5	0	(5)
Head Clerk	0	2	2

NET CHANGE TOTAL

18

Proposed Layoffs and Vacant Position Reductions

There are no proposed layoffs for 2007-2008.

Budgeted Professional and Contractual Services by Activity**Finance (23)**

Budgeted Professional and Contractual Services by Activity	FY 2006-07 Budget	FY 2007-08 Recommended	Increase (Decrease)
Administration	\$ -	\$ -	\$ -
Assessments	261,640	270,440	8,800
Purchasing	-	-	-
Treasury	425,130	276,400	(148,730)
Accounting Operations	200,927	271,927	71,000
Income Tax Operation	98,121	100,000	1,879
Pension & Employee Benefits	2,719,800	3,034,982	315,182
Total	\$ 3,705,618	\$ 3,953,749	\$ 248,131

Significant Funding Changes

In addition to the addition of 18 positions, there is a reorganization/consolidation of the Debt Management Division into the Treasury area.

The Accounts – Pension and Employee Benefit Division is increasing by \$2.4 million. Contractual Services is increasing by \$315,000 and \$2.0 million in Purchased Computer Services.

Significant Revenue Changes

In the Assessment Division the Sale of Manufactured and Reproduced Material is increasing \$92,000, a 159% increase. This is supported by 2005-06 collections of \$147,489

The revenue in the Accounts – Pension and Employee Benefits Division for reimbursement is increasing by \$2.6 million.

Issues and Questions

1. Explain the substantial amount of overtime usage in the current year. What changes will be made that allows the overtime budget to be reduced when in the current year overtime is almost 110% over budget after only three quarters of the year.
2. Are there any fee increases included in the proposed budget? If yes, what is the current fee and proposed fee included in the proposed budget? When was the last time a comprehensive review of fees in the Finance Department was undertaken? Did the Maximus study recommend fees increases in the Finance Department?
3. Has the Finance Department administration considered utilizing an afternoon shift in certain areas of the agency in order to process and record daily transactions? This would be similar to banks and other businesses. The goal being to review the daily transactions, verify and record, or investigate and correct while the information etc. is fresh, minimizing reconciliation problems. Rather than letting transactions back up and processing them on an almost batch type of process, much later.
4. Explain the difference between the cost of the Pension and Employee Benefit and the reimbursement from the Retirement Systems of \$350,000.
5. Explain the increase requested in the Pension and Employee Benefit request of \$2.4 million dollars? Is this related to the long awaited implementation of the Defined Contribution Retirement Plan adopted in 1998?
6. As a cost reducing proposal has the subject of “piggybacking” our income tax form onto the state’s form been seriously discussed? This is what many cities in other states do. Has anyone approached the state treasurer about implementing this?

7. Are there any specific changes in the budget to reduce the time necessary to produce the Comprehensive Annual Financial Report? What are they? What is necessary to have the CAFR available in a timely fashion?
8. Can the Assessment Division provide a complete and comprehensive report to Council on the initial Neighborhood Enterprise Zone target areas designated in the current year? What is the dollar amount of reduced taxes as a result of the NEZ in the proposed budget? Provide Council with a listing of all tax reductions by type, area, assessed value etc. and the effects on the proposed budget.
9. Both Federal and State Income Taxes can be filed electronically on-line. Is the City moving in that direction? When might citizens expect on-line submission of City Income Tax forms to be available?
10. What new and exciting developments can you tell Council about concerning the Targeted Business Development program?
11. As you know, the proposed new Commercial Solid Waste Inspection Fees are based on the State Equalized Value (SEV), ranging from an annual fee of \$250 for SEV less than \$25,000 to \$1,000 for SEV greater than \$75,000. Please provide a report showing the number of commercial establishments in the City of Detroit broken down by SEV level.

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